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SIPDIS

FOR EB/ODF ROLAND DEMARCELLUS  
EB/IRAQ MARK KISSEL

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SUBJECT: POSITIVE SIGNS ON SPAIN'S IFC AND IRFFI PLEDGES

REF: MADRID 2248

**¶11.** Summary: A call to a key contact on Iraq reconstruction issues adds additional weight to assurances by high level GOS contacts that Spain would honor its Iraq Donors' Conference commitments. Our working level contact predicted the IFC \$5 million and half of the IRFFI \$20 million would be disbursed by July with the remaining IRFFI \$10 million moving later this year. This timeline supports comments made by Secretary of State for Economy David Vegara (reftel), and signals that positive action is being taken at the working level. End Summary.

**¶12.** Our chief contact on Iraq reconstruction, Ministry of Economy Technical Advisor for International Finance Ines Menendez de Luarca Bellido, confirmed that the approval of the \$5 million for the IFC Small Business Facility and \$20 million for the IRFFI is moving forward. Higher ranking officials in the Ministry of Economy, including the Secretary of State for Economy Vegara (reftel) and the Director General for Finance assured us that Spain would live up to its Iraq reconstruction pledge. Menendez' affirmation of these statements confirms that the message has reached the working level and is being actively pursued.

**¶13.** Menendez provided a rough timeline for the disbursements. She stated that the the Ministry of Economy had completed its internal approval process on the IFC \$5 million and the IRFFI \$20 million. The next step is the July 8 meeting of the interministerial commission that approves all development funds. The disbursement decision will then move to the subsequent Council of Ministers meeting. Approval is expected by both groups. Menendez predicted the IFC \$5 million and \$10 million of the IRFFI transfer will be made in mid-late July. The second half of the IRFFI funds should be disbursed by the end of the year.

**¶14.** We will continue to track this issue, and notify Washington as the disbursement process reaches its final stages.

ARGYROS